

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Brownstown</u>	County Wayne
Audit Date December 31, 2005	Opinion Date March 22, 2006	Date Accountant Report Submitted To State: June 20, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Charter Township of Brownstown Wayne County, Michigan

**Financial Report
with Supplemental Information
December 31, 2005**

Charter Township of Brownstown

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17-18
Fiduciary Funds - Statement of Assets and Liabilities	19
Notes to Financial Statements	20-40
Required Supplemental Information	41
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Major Special Revenue Funds - Police Operation Fund	43
Budgetary Comparison Schedule - Major Special Revenue Funds - Fire Protection Fund	44
Note to Required Supplemental Information	45-46

Charter Township of Brownstown

Contents (Continued)

Other Supplemental Information	47
Nonmajor Governmental Funds:	
Combining Balance Sheet	48-49
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	50-51
Fiduciary Funds - Combining Statement of Assets and Liabilities	52



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Brownstown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Township Board
Charter Township of Brownstown
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Brownstown's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 22, 2006

Charter Township of Brownstown

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Brownstown's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2005:

- The DDA still holds title to the land purchased in 2004 for the Town Center Development that is to be sold to developers in future years.
- State-shared revenue, the General Fund's largest single revenue source at \$2,261,000, was reduced by the State of Michigan by approximately \$24,000 for 2005 from the 2004 figure, but is \$900,000 less than received in 2001.
- The General Fund unreserved fund balance decreased by \$544,000 in 2005. This was caused by a decrease in other financing sources of \$567,000 from 2004. The 2005 General Fund operating revenues and expenditures were both less than 2004, but 2005 operating revenues were less and operating expenditures more than the original adopted budget. The amount designated for the 2006 budget increased by \$412,000 to \$604,000.
- The 2004 taxable value of the entire Township increased by 12.3 percent (the value used to calculate 2005 tax revenue). The non-DDA capture taxable value increased by 9.2 percent while the captured taxable value in the DDA district increased by 22.5 percent.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 15,017,000	\$ 14,109,000	\$ 8,667,000	\$ 8,090,000	\$ 23,684,000	\$ 22,199,000
Noncurrent assets	23,350,000	22,931,000	65,345,000	63,557,000	88,695,000	86,488,000
Total assets	38,367,000	37,040,000	74,012,000	71,647,000	112,379,000	108,687,000
Liabilities						
Current liabilities	11,779,000	10,832,000	3,500,000	3,985,000	15,279,000	14,817,000
Long-term liabilities	8,943,000	9,344,000	11,991,000	13,232,000	20,934,000	22,576,000
Total liabilities	20,722,000	20,176,000	15,491,000	17,217,000	36,213,000	37,393,000
Net Assets						
Invested in capital assets -						
Net of related debt	13,380,000	12,791,000	49,328,000	46,615,000	62,708,000	59,406,000
Restricted	1,254,000	409,000	1,778,000	1,675,000	3,032,000	2,084,000
Unrestricted	3,011,000	3,664,000	7,415,000	6,140,000	10,426,000	9,804,000
Total net assets	<u>\$ 17,645,000</u>	<u>\$ 16,864,000</u>	<u>\$ 58,521,000</u>	<u>\$ 54,430,000</u>	<u>\$ 76,166,000</u>	<u>\$ 71,294,000</u>

The Township's combined net assets increased 6.8 percent from a year ago, increasing from \$71,294,000 to \$76,166,000. As we look at the governmental activities separately from the business-type activities, we can see that net assets increased by \$781,000 in governmental type and increased by \$4,091,000 in business type.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$653,000 for the governmental activities. This represents a decrease of approximately 18 percent. The current level of unrestricted net assets for our governmental activities stands at \$3,011,000, or about 16 percent of program expenses (compared to 22 percent in 2004).

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 5,155,000	\$ 5,152,000	\$ 7,362,000	\$ 6,352,000	\$ 12,517,000	\$ 11,504,000
Operating grants and contributions	250,000	185,000	-	4,000	250,000	189,000
Capital grants and contributions	3,194,000	1,158,000	3,124,000	87,000	6,318,000	1,245,000
General revenue:						
Property taxes	7,814,000	6,928,000	1,705,000	1,496,000	9,519,000	8,424,000
State-shared revenue	2,271,000	2,294,000	-	-	2,271,000	2,294,000
Investment earnings	163,000	72,000	197,000	122,000	360,000	194,000
Cable franchise fees	256,000	237,000	-	-	256,000	237,000
Gain (loss) on sale of assets	(13,000)	(9,000)	1,000	-	(12,000)	(9,000)
Miscellaneous	29,000	15,000	-	-	29,000	15,000
Transfers and other revenue (expense)	33,000	33,000	(33,000)	(33,000)	-	-
Total revenue	19,152,000	16,065,000	12,356,000	8,028,000	31,508,000	24,093,000
Program Expenses						
General government	3,113,000	2,730,000	-	-	3,113,000	2,730,000
Public safety	10,005,000	9,233,000	-	-	10,005,000	9,233,000
Public works	2,276,000	1,773,000	-	-	2,276,000	1,773,000
Community and economic development	1,378,000	1,397,000	-	-	1,378,000	1,397,000
Recreation and culture	1,202,000	1,253,000	-	-	1,202,000	1,253,000
Interest on long-term debt	397,000	414,000	-	-	397,000	414,000
Water and sewer	-	-	8,265,000	7,392,000	8,265,000	7,392,000
Total program expenses	18,371,000	16,800,000	8,265,000	7,392,000	26,636,000	24,192,000
Change in Net Assets	\$ 781,000	\$ (735,000)	\$ 4,091,000	\$ 636,000	\$ 4,872,000	\$ (99,000)

Governmental Activities

The Township's total governmental revenues increased by approximately \$3,087,000. This increase, which represents 19 percent, was primarily due to contributions for public purposes by developers and capital asset purchases contributed to the general government by the DDA in 2005 that increased by over \$2 million. Property taxes increased by \$886,000 and investment earnings increased by \$91,000, but state-shared revenue and building department permits decreased.

Expenses increased by about \$1.5 million (9 percent) during the year. The biggest increases were in Police Operation (\$364,000), Fire Protection (\$547,000), and Road Capital (\$331,000).

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Detroit water system. We provide sewage treatment through the South Huron Valley Utility Authority and the Downriver Sewerage System. The net assets of both activities increased in 2005 mostly due to contribution of water and sewer mains from developers. The overall increase is also due to the Township's investment in the South Huron Valley Utility Authority.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental-type funds for 2005 include the General Fund, the Police Operation Fund, and the Fire Protection Fund. The business-type funds are the Sanitary Sewer Fund and the Water Fund.

The General Fund pays for most of the Township's governmental services including transfers to Police and Fire Funds to balance their budgets. The most significant costs are police and fire activities, which incurred expenses of approximately \$5,625,000 (6.9 percent increase over 2004) and \$3,683,000 (17.5 percent increase over 2004), respectively, in 2005. These two services are supported by special millages that are recorded in their individual Special Revenue Funds. These funds also record the transfers from the General Fund. The amount transferred from the General Fund is determined by the amount needed to balance the budgets as approved by the Township board. During the current year, this amounted to approximately \$1,745,000. Anticipated police retroactive pay and benefits for 2005 for the MAP union were recorded in the current year.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. Revenues, excluding operating transfers, were amended downward by almost \$190,000 and actual was still \$160,000 under the amended budget. Even though there is continued growth in the Township, permits related to construction were down \$150,000 from 2004. The largest increases to the expenditure side of the budget were to community and economic development (\$218,000), public works, including street lighting (\$124,000), and sanitation (\$192,000). Most departmental budgets were amended upward to account for the increase in health insurance and workmen's compensation premiums along with public utilities. Township departments overall stayed below the amended budget amounts, resulting in total expenditures and transfers of \$360,000 below budget. The overall actual expenditures and transfers were greater than revenue so the General Fund's undesignated fund balance decreased from \$1,380,000 a year ago to \$426,000 at December 31, 2005, representing 2.6 percent of 2006 combined budgeted expenditures for the General Fund and Police Operation and Fire Protection Funds. Last year this figure was 9.2 percent of 2005 combined budgeted expenditures for the same funds.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$85,000,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation. In addition, the Township has invested significantly in roads within the Township. These assets, worth nearly \$4,538,000, net of related accumulated depreciation, are reported in the Township's financial statements as investment in infrastructure. Because Michigan law makes these roads the property of Wayne County Road Commission, along with the responsibility to maintain them, they are listed as road usage rights.

During the year, the Township retired approximately \$1.9 million of debt. At the end of the year, the Township had \$8.8 million in bonds and notes outstanding for governmental-type activities compared to \$9.3 million at December 31, 2004, while business-type activities, all in the Sewer Fund, had \$12.8 million outstanding at the end of the year compared to \$14.0 million in the prior year. The DDA component unit has \$15 million in outstanding debt, the same as last year.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for property tax rates 7/10 of a mill less than levied for the 2005 budget. This is due to reduced bond payments in the Sewer Fund for 2006. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

We anticipate the water rates will increase in 2006 equal to the rate increase imposed by the Detroit water board as permitted per Township ordinance.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Brownstown

Statement of Net Assets December 31, 2005

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 6,415,738	\$ 6,721,245	\$ 13,136,983	\$ 1,663,199
Receivables - Net (Note 4)	8,582,418	1,882,268	10,464,686	3,945,407
Inventories	9,583	62,717	72,300	-
Prepaid costs and other assets	9,123	529	9,652	-
Long-term receivable - Lease agreements	72,000	-	72,000	-
Restricted assets (Note 9)	-	1,777,934	1,777,934	-
Investment in joint venture (Note 14)	1,073,585	861,758	1,935,343	-
Land held for resale (Note 8)	-	-	-	14,265,000
Nondepreciable capital assets (Note 5)	4,235,769	334,789	4,570,558	-
Depreciable capital assets - Net (Note 5)	17,969,455	62,370,574	80,340,029	-
Total assets	38,367,671	74,011,814	112,379,485	19,873,606
Liabilities				
Accounts payable	449,005	478,162	927,167	105,622
Accrued and other liabilities	660,503	21,416	681,919	-
Deposits	50,371	289,745	340,116	-
Escrows	677,569	76,612	754,181	-
Deferred revenue (Note 4)	8,991,393	1,134,825	10,126,218	3,947,523
Compensated absences:				
Due within one year	425,922	34,222	460,144	-
Due in more than one year	642,402	10,810	653,212	-
Current liabilities payable from restricted assets (Note 9)	-	630,777	630,777	-
Long-term debt (Note 7):				
Due within one year	524,594	834,633	1,359,227	-
Due in more than one year	8,300,584	11,980,271	20,280,855	15,000,000
Total liabilities	20,722,343	15,491,473	36,213,816	19,053,145
Net Assets				
Invested in capital assets - Net of related debt	13,380,046	49,327,898	62,707,944	-
Restricted:				
Road improvement	175,058	-	175,058	-
Police and fire improvement	759,948	-	759,948	-
Solid waste	29,897	-	29,897	-
Drug forfeiture	289,545	-	289,545	-
Capital projects	-	647,163	647,163	-
Debt service	-	1,130,771	1,130,771	-
Unrestricted	3,010,834	7,414,509	10,425,343	820,461
Total net assets	\$ 17,645,328	\$ 58,520,341	\$ 76,165,669	\$ 820,461

Charter Township of Brownstown

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 3,113,175	\$ 1,547,369	\$ 102,364 \$ 229,445
Public safety	10,004,800	1,382,772	86,874 2,067,461
Public works	2,276,197	859,410	18,391 794,420
Community and economic development	1,377,741	1,050,613	- 102,413
Recreation and culture	1,202,353	314,453	43,117 -
Interest on long-term debt	396,818	-	- -
Total governmental activities	18,371,084	5,154,617	250,746 3,193,739
Business-type activities - Water and sewer	8,265,280	7,362,069	- 3,123,965
Total primary government	<u>\$ 26,636,364</u>	<u>\$ 12,516,686</u>	<u>\$ 250,746 \$ 6,317,704</u>
Component unit - Downtown Development Authority	<u>\$ 3,970,001</u>	<u>\$ 6,303</u>	<u>\$ - \$ -</u>
General revenues:			
Property taxes			
State-shared revenues			
Investment earnings			
Cable franchise fees			
Gain (loss) on sale of capital assets			
Miscellaneous			
Transfers/Contributions			
Total general revenues and transfers/contributions			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (1,233,997)	\$ -	\$ (1,233,997)	\$ -
(6,467,693)	-	(6,467,693)	-
(603,976)	-	(603,976)	-
(224,715)	-	(224,715)	-
(844,783)	-	(844,783)	-
(396,818)	-	(396,818)	-
(9,771,982)	-	(9,771,982)	-
-	2,220,754	2,220,754	-
(9,771,982)	2,220,754	(7,551,228)	-
-	-	-	(3,963,698)
7,814,062	1,704,615	9,518,677	3,526,235
2,270,801	-	2,270,801	-
163,457	197,096	360,553	73,807
255,717	-	255,717	-
(12,590)	873	(11,717)	-
28,889	-	28,889	-
32,647	(32,647)	-	-
10,552,983	1,869,937	12,422,920	3,600,042
781,001	4,090,691	4,871,692	(363,656)
16,864,327	54,429,650	71,293,977	1,184,117
\$ 17,645,328	\$ 58,520,341	\$ 76,165,669	\$ 820,461

Charter Township of Brownstown

Governmental Funds Balance Sheet December 31, 2005

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 1,353,938	\$ 1,535,558	\$ 403,774	\$ 3,122,468	\$ 6,415,738
Receivables - Net (Note 4)	2,038,374	3,783,600	1,518,299	1,220,663	8,560,936
Prepaid costs and other assets	5,551	2,841	658	-	9,050
Due from other funds (Note 6)	77,810	-	-	-	77,810
Long-term receivable - Lease agreements	-	-	-	72,000	72,000
Total assets	<u>\$ 3,475,673</u>	<u>\$ 5,321,999</u>	<u>\$ 1,922,731</u>	<u>\$ 4,415,131</u>	<u>\$ 15,135,534</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 279,735	\$ 67,431	\$ 21,768	\$ 75,878	\$ 444,812
Accrued and other liabilities	24,581	527,382	41,283	-	593,246
Due to other funds (Note 6)	-	-	-	53,627	53,627
Deposits	50,371	-	-	-	50,371
Escrows	546,369	-	-	131,200	677,569
Deferred revenue (Note 4)	1,515,240	4,727,186	1,859,680	1,526,558	9,628,664
Total liabilities	2,416,296	5,321,999	1,922,731	1,787,263	11,448,289
Fund Balances					
Reserved for solid waste	29,897	-	-	-	29,897
Unreserved, reported in General Fund:					
Designated for subsequent year's budget	603,734	-	-	-	603,734
Undesignated	425,746	-	-	-	425,746
Unreserved, reported in Special Revenue Funds:					
Designated for subsequent year's budget	-	-	-	290,478	290,478
Undesignated	-	-	-	2,337,390	2,337,390
Total fund balances	1,059,377	-	-	2,627,868	3,687,245
Total liabilities and fund balances	<u>\$ 3,475,673</u>	<u>\$ 5,321,999</u>	<u>\$ 1,922,731</u>	<u>\$ 4,415,131</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					22,202,634
Investment in District Court assets is not a financial resource and is not reported in the funds					1,073,585
Delinquent personal property taxes receivable are expected to be collected over several years and are not available to pay for current year expenditures					15,219
Grant revenues not received within 60 days of year end and are not available to pay for current year expenditures					43,884
Ambulance fee receivables are expected to be collected over several years and are not available to pay for current year expenditures					100,168
Revenues not received within 60 days of year end and are not available to pay for current year expenditures					478,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds					(9,889,580)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds					(65,827)
Net assets of governmental activities					<u>\$ 17,645,328</u>

Charter Township of Brownstown

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 960,476	\$ 4,325,908	\$ 1,597,588	\$ 930,090	\$ 7,814,062
Licenses and permits	1,540,266	-	-	-	1,540,266
Federal grants	9,246	46,528	5,555	186,135	247,464
State-shared revenues and grants	2,270,801	-	-	-	2,270,801
Charges for services	627,304	-	-	-	627,304
District Court and other fines	935,620	-	-	-	935,620
Interest and rentals	60,428	31,179	4,659	67,191	163,457
Special assessments	777,559	-	-	-	777,559
Debt charges	-	-	-	643,386	643,386
Other	115,948	376,893	719,438	1,293,953	2,506,232
Total revenue	7,297,648	4,780,508	2,327,240	3,120,755	17,526,151
Expenditures					
Current:					
General government	2,289,528	-	-	-	2,289,528
Public safety	137,396	5,501,271	3,593,329	20,432	9,252,428
Community and economic development	2,657,858	-	-	155,915	2,813,773
Recreation and culture	1,127,921	-	-	-	1,127,921
Employee benefits and insurance	50,938	-	-	131,123	182,061
Capital outlay	-	-	-	1,256,212	1,256,212
Debt service	-	-	-	895,969	895,969
Total expenditures	6,263,641	5,501,271	3,593,329	2,459,651	17,817,892
Excess of Revenue Over (Under) Expenditures	1,034,007	(720,763)	(1,266,089)	661,104	(291,741)
Other Financing Sources (Uses)					
Transfers in (Note 6)	-	844,964	1,355,611	589,792	2,790,367
Transfers out (Note 6)	(1,832,066)	(124,201)	(89,522)	(708,783)	(2,754,572)
Total other financing sources (uses)	(1,832,066)	720,763	1,266,089	(118,991)	35,795
Net Change in Fund Balances	(798,059)	-	-	542,113	(255,946)
Fund Balances - Beginning of year	1,857,436	-	-	2,085,755	3,943,191
Fund Balances - End of year	\$ 1,059,377	\$ -	\$ -	\$ 2,627,868	\$ 3,687,245

Charter Township of Brownstown

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (255,946)
---	---------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	414,707
Contributions of capital assets are reported as revenue in the statement of activities, but are not reflected in the fund-based statements	1,164,945
In the statement of activities, the loss on sale of assets is recorded and in the funds the proceeds from sale of assets are reported	(14,676)
Depreciation on capital assets reported as part of governmental activities	(1,210,037)
Changes in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities	71,145
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	327,683
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	495,660
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(215,972)
Interest expense is recorded when incurred in the statement of activities, but only when due in the fund-based statements	<u>3,492</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 781,001</u></u>
--	---------------------------------

Charter Township of Brownstown

Proprietary Funds Statement of Net Assets December 31, 2005

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 2,194,290	\$ 1,937,169	\$ 4,131,459	\$ -
Investments	2,589,786	-	2,589,786	-
Receivables (Note 4)	1,429,871	452,397	1,882,268	21,482
Inventories	-	62,717	62,717	9,583
Prepaid costs and other assets	269	260	529	73
Total current assets	6,214,216	2,452,543	8,666,759	31,138
Noncurrent assets:				
Restricted assets (Note 9)	1,164,478	613,456	1,777,934	-
Investment in joint venture (Note 14)	861,758	-	861,758	-
Nondepreciable capital assets (Note 5)	334,789	-	334,789	-
Depreciable capital assets - Net (Note 5)	46,485,894	15,884,680	62,370,574	2,590
Total noncurrent assets	48,846,919	16,498,136	65,345,055	2,590
Total assets	55,061,135	18,950,679	74,011,814	33,728
Liabilities				
Current liabilities:				
Accounts payable	91,034	387,128	478,162	4,193
Accrued and other liabilities	15,341	6,075	21,416	1,430
Due to other funds (Note 6)	-	-	-	24,183
Deposits	287,660	2,085	289,745	-
Escrows	-	76,612	76,612	-
Deferred revenue (Note 4)	1,134,825	-	1,134,825	-
Current portion of compensated absences	13,509	20,713	34,222	-
Current liabilities payable from restricted assets (Note 9)	630,777	-	630,777	-
Current portion of long-term debt (Note 7)	834,633	-	834,633	-
Total current liabilities	3,007,779	492,613	3,500,392	29,806
Noncurrent liabilities:				
Provision for compensated absences	4,366	6,444	10,810	3,922
Long-term debt - Net of current portion (Note 7)	11,980,271	-	11,980,271	-
Total noncurrent liabilities	11,984,637	6,444	11,991,081	3,922
Total liabilities	14,992,416	499,057	15,491,473	33,728
Net Assets				
Investment in capital assets - Net of related debt	33,443,218	15,884,680	49,327,898	2,590
Restricted	1,164,478	613,026	1,777,504	-
Unrestricted	5,461,023	1,953,916	7,414,939	(2,590)
Total net assets	\$ 40,068,719	\$ 18,451,622	\$ 58,520,341	\$ -

Charter Township of Brownstown

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Operating Revenue				
Sale of water	\$ -	\$ 3,661,883	\$ 3,661,883	\$ -
Sewage disposal charges	3,119,634	-	3,119,634	-
Charges for services	-	-	-	183,507
Other	100,133	140,616	240,749	1,158
Total operating revenue	3,219,767	3,802,499	7,022,266	184,665
Operating Expenses				
Cost of water	-	2,096,027	2,096,027	-
Cost of sewage disposal	1,490,362	-	1,490,362	-
Operation and maintenance	733,878	589,560	1,323,438	180,657
General and administrative	421,234	437,104	858,338	-
Depreciation	1,516,382	579,147	2,095,529	860
Total operating expenses	4,161,856	3,701,838	7,863,694	181,517
Operating Income (Loss)	(942,089)	100,661	(841,428)	3,148
Nonoperating Income (Expense)				
Property taxes	1,704,615	-	1,704,615	-
Connection fees	130,003	11,821	141,824	-
Increase in investment in joint venture	198,852	-	198,852	-
Investment income	154,369	42,727	197,096	-
Interest expense	(401,586)	-	(401,586)	-
Total nonoperating income	1,786,253	54,548	1,840,801	-
Income - Before capital contributions	844,164	155,209	999,373	3,148
Capital Contributions - Lines constructed by developers	951,440	2,172,525	3,123,965	-
Transfers in from Other Funds (Note 6)	-	57,356	57,356	-
Transfers to Other Funds (Note 6)	(73,984)	(16,019)	(90,003)	(3,148)
Total transfers to/from other funds	(73,984)	41,337	(32,647)	(3,148)
Change in Net Assets	1,721,620	2,369,071	4,090,691	-
Net Assets - Beginning of year	38,347,099	16,082,551	54,429,650	-
Net Assets - End of year	<u>\$ 40,068,719</u>	<u>\$ 18,451,622</u>	<u>\$ 58,520,341</u>	<u>\$ -</u>

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2005

	Major Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitary Sewer	Water	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,100,801	\$ 3,669,800	\$ 6,770,601	\$ -
Payments to suppliers	(2,154,225)	(2,495,487)	(4,649,712)	(131,085)
Payments to employees	(661,644)	(606,557)	(1,268,201)	(106,314)
Internal activity - Receipts from other funds	-	-	-	212,498
Other receipts	100,133	140,616	240,749	1,158
Net cash provided by (used in) operating activities	385,065	708,372	1,093,437	(23,743)
Cash Flows from Noncapital and Related Financing Activities -				
Transfers to/from other funds	(73,984)	41,337	(32,647)	(3,148)
Cash Flows from Capital and Related Financing Activities				
Proceeds from property taxes	1,388,563	-	1,388,563	-
Purchase of capital assets	(184,412)	(274,186)	(458,598)	-
Connection fees	130,003	11,821	141,824	-
Principal and interest paid on capital debt	(1,233,626)	-	(1,233,626)	-
Deposit with County for debt	(395,232)	-	(395,232)	-
Net cash used in capital and related financing activities	(294,704)	(262,365)	(557,069)	-
Cash Flows from Investing Activities				
Interest received on investments	157,629	42,727	200,356	-
Purchase of investment securities	(68,678)	-	(68,678)	-
Net cash provided by investing activities	88,951	42,727	131,678	-
Net Increase (Decrease) in Cash and Cash Equivalents	105,328	530,071	635,399	(26,891)
Cash and Cash Equivalents - Beginning of year	2,582,169	2,002,723	4,584,892	26,891
Cash and Cash Equivalents - End of year	\$ 2,687,497	\$ 2,532,794	\$ 5,220,291	\$ -
Statement of Net Assets Classification of Cash and Cash Equivalents				
Cash and investments	\$ 2,194,290	\$ 1,937,169	\$ 4,131,459	\$ -
Restricted investments (Note 9)	493,207	595,625	1,088,832	-
Total cash and cash equivalents	\$ 2,687,497	\$ 2,532,794	\$ 5,220,291	\$ -

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2005

	Major Enterprise Funds			Governmental Activities - Internal Service Fund
	Sanitary Sewer	Water	Total	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (942,089)	\$ 100,661	\$ (841,428)	\$ 3,148
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,516,382	579,147	2,095,529	860
Changes in assets and liabilities:				
Receivables	(73,183)	(5,196)	(78,379)	4,808
Inventories	-	(15,739)	(15,739)	6,036
Prepaid costs and other assets	(58)	(48)	(106)	(15)
Accounts payable	(175,207)	38,412	(136,795)	(61,425)
Accrued and other liabilities	59,220	11,135	70,355	(1,338)
Due to other funds	-	-	-	24,183
Net cash provided by (used in) operating activities	<u>\$ 385,065</u>	<u>\$ 708,372</u>	<u>\$ 1,093,437</u>	<u>\$ (23,743)</u>

Noncash Investing, Capital, and Financing Activities - During 2005, the County paid principal, interest, and fees in the amount of \$403,221 on behalf of the Township related to County Sewage Disposal System Bonds. The assets held at the County for construction and debt service earned interest of \$17,024. In addition, developers contributed sewer and water fixed assets totaling \$951,440 and \$2,172,525, respectively, during 2005.

Charter Township of Brownstown

Fiduciary Funds Statement of Assets and Liabilities December 31, 2005

	<u>Agency Funds</u>
Assets - Cash and investments	<u>\$ 3,097,368</u>
Liabilities	
Due to other governmental units	\$ 3,095,252
Due to component unit	<u>2,116</u>
 Total liabilities	 <u>\$ 3,097,368</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Brownstown (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Brownstown:

Reporting Entity

The Charter Township of Brownstown is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are separate legal entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Blended Component Units

The Brownstown Building Authority is governed by a board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to construct assets for the Township.

Discretely Presented Component Units

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body, which consists of nine individuals, is approved by the Township's board of trustees. In addition, the DDA's budget is subject to approval by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The financial information included in the separate column is condensed. Complete financial statements of the DDA can be obtained from the Township offices at 21313 Telegraph Road, Brownstown Township, Michigan.

The Brownfield Redevelopment Financing Authority (the "Authority") was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority had no financial activity during the year ended December 31, 2005.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Jointly Governed Organization

Jointly governed organizations are discussed in Note 14.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements, ambulance fees, and land contracts will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue."

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Operation Fund and the Fire Protection Fund account for the activities of the police and fire departments requiring separate accounting because of special tax levies to fund operations.

The Township reports the following major Enterprise Funds:

The Water Fund and Sanitary Sewer Fund account for the results of operations for providing water and sewer service to the citizens and businesses of the Township. The funds' primary revenues are generated through user charges from those requesting water and sewer services.

Additionally, the Township reports the following fund types:

The Internal Service Fund - Vehicle Maintenance Fund accounts for the maintenance of Township vehicles provided by one department or agency to other departments or agencies of the Township, or to other governments, mainly on a cost-reimbursement basis.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds account for assets held by the Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water Fund and Sanitary Sewer Fund also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2004 taxable valuation of the Township totaled \$867 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.8730 mills for operating purposes, 2.0000 mills for fire assessment, 5.7460 mills for police operations and assessment, 0.4786 mills for police capital improvement, 1.0000 mills for sewer debt service, 0.6200 mills for SHVUA debt service, 0.4786 mills for fire capital improvement, 0.4786 mills for road capital improvement, and 0.4500 mills for EPA debt. This resulted in \$545,000 for operating purposes, \$1.6 million for fire assessment, \$4.3 million for police operations and assessment, \$299,000 for police capital improvement, \$624,000 for sewer debt service, \$527,000 for SHVUA debt service, \$299,000 for fire capital improvement, \$299,000 for road capital improvement, and \$382,000 for EPA debt. These amounts, in addition to collection fees, interest, and penalties, are recognized in the respective General, Special Revenue, and Enterprise Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, furniture, equipment, and infrastructure assets (e.g., road usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and having a useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Road usage rights	20 years
Land improvements	15 to 20 years
Utility systems	40 to 45 years
Buildings and improvements	20 to 50 years
Vehicles	5 to 15 years
Office furnishings	10 to 20 years
Other tools, machinery, and equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. There were no employee terminations at December 31, 2005.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative surplus at January 1, 2005		\$ 171,236
Current year building permit revenue		1,034,027
Related expenses:		
Direct costs	\$ 1,160,985	
Estimated indirect costs	<u>102,567</u>	<u>1,263,552</u>
Current year shortfall		<u>(229,525)</u>
Cummulative shortfall at December 31, 2005		<u>\$ (58,289)</u>

Fund Deficits - The Township has accumulated fund deficits in the following Special Revenue Funds: CDBG Fund and Housing Assistance Fund. The deficits are the result of federal reimbursements of eligible costs not being received within 60 days of year end. The Township expects to receive these funds in the upcoming fiscal year.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 239 of 1998 has authorized investment in State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk requires all qualified institutions to provide audited financial statements, proof of certification and registration, and certification of having read the Township's investment policy. The Township is also to perform an annual review of financial condition and registration. At year end, the Township had \$15,833,456 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, the Downtown Development Authority had \$952,717 of bank deposits that were uninsured and uncollateralized.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the Township had no investment securities which would be susceptible to interest rate risk.

At year end, the Downtown Development Authority maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Commercial paper - General Electric	\$ 507,395	January 10, 2006

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy further limits its investment choices as noted above. As of year end, the Township had no investment securities which would be susceptible to credit risk.

At year end, the Downtown Development Authority investment securities credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Commercial paper - General Electric	\$ 507,395	AIPI	N/A

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

At year end, 100 percent of the Downtown Development Authority's investments are in General Electric commercial paper.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds, the nonmajor and Internal Service Funds in the aggregate, and the component unit are as follows:

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental and Internal Service Funds	Sanitary Sewer Fund	Water Fund	Total	Component Unit - Downtown Development Authority
Receivables:								
Taxes	\$ 1,181,873	\$ 3,742,170	\$ 1,417,931	\$ 750,133	\$ 898,380	\$ -	\$ 7,990,487	\$ 3,945,407
Accounts	-	-	119,248	-	500,179	414,800	1,034,227	-
Intergovernmental	790,901	1,369	-	64,529	-	-	856,799	-
Interest and other	65,600	40,061	200	427,483	31,312	37,597	602,253	-
Less allowance for uncollectibles	-	-	(19,080)	-	-	-	(19,080)	-
Net receivables	<u>\$ 2,038,374</u>	<u>\$ 3,783,600</u>	<u>\$ 1,518,299</u>	<u>\$ 1,242,145</u>	<u>\$ 1,429,871</u>	<u>\$ 452,397</u>	<u>\$ 10,464,686</u>	<u>\$ 3,945,407</u>

The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. In addition, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reflected in governmental funds are as follows:

	Unavailable	Unearned
Land contracts	\$ 78,000	\$ -
Property taxes for subsequent year	-	8,991,393
Delinquent property taxes	15,219	-
Grant reimbursement	43,884	-
Road construction assistance	400,000	-
Ambulance fees - Net of allowance	<u>100,168</u>	<u>-</u>
Total	<u>\$ 637,271</u>	<u>\$ 8,991,393</u>

Deferred revenue in business-type activities and the component unit consists of unearned property taxes for the subsequent year.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Governmental Activities				
Capital assets not being depreciated - Land	\$ 4,188,969	\$ 46,800	\$ -	\$ 4,235,769
Capital assets being depreciated:				
Road usage rights	6,544,440	90,843	-	6,635,283
Land improvements	675,949	-	-	675,949
Buildings and improvements	12,018,174	69,716	-	12,087,890
Vehicles	3,561,752	1,154,973	164,753	4,551,972
Office furnishings	663,061	-	-	663,061
Other tools, machinery, and equipment	<u>2,374,008</u>	<u>217,320</u>	<u>3,673</u>	<u>2,587,655</u>
Subtotal	25,837,384	1,532,852	168,426	27,201,810
Accumulated depreciation:				
Road usage rights	1,769,142	328,358	-	2,097,500
Land improvements	337,269	33,503	-	370,772
Buildings and improvements	2,778,016	235,850	-	3,013,866
Vehicles	1,795,085	332,887	150,077	1,977,895
Office furnishings	266,541	42,214	-	308,755
Other tools, machinery, and equipment	<u>1,229,156</u>	<u>238,084</u>	<u>3,673</u>	<u>1,463,567</u>
Subtotal	<u>8,175,209</u>	<u>1,210,896</u>	<u>153,750</u>	<u>9,232,355</u>
Net capital assets being depreciated	<u>17,662,175</u>	<u>321,956</u>	<u>14,676</u>	<u>17,969,455</u>
Net capital assets	<u>\$ 21,851,144</u>	<u>\$ 368,756</u>	<u>\$ 14,676</u>	<u>\$ 22,205,224</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 5 - Capital Assets (Continued)

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 203,749	\$ -	\$ -	\$ 203,749
Construction in progress	10,022,271	131,040	10,022,271	131,040
Subtotal	10,226,020	131,040	10,022,271	334,789
Capital assets being depreciated:				
Utility systems	63,775,845	13,294,049	-	77,069,894
Buildings and improvements	10,472,085	-	-	10,472,085
Vehicles	602,864	135,861	13,388	725,337
Other tools, machinery, and equipment	782,740	43,885	-	826,625
Subtotal	75,633,534	13,473,795	13,388	89,093,941
Accumulated depreciation:				
Utility systems	22,546,857	1,710,728	-	24,257,585
Buildings and improvements	1,121,337	237,650	-	1,358,987
Vehicles	451,240	88,423	13,388	526,275
Other tools, machinery, and equipment	521,792	58,728	-	580,520
Subtotal	24,641,226	2,095,529	13,388	26,723,367
Net capital assets being depreciated	50,992,308	11,378,266	-	62,370,574
Net capital assets	\$ 61,218,328	\$ 11,509,306	\$ 10,022,271	\$ 62,705,363

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 447,465
Public safety	646,506
Public works	11,379
Community and economic development	16,224
Recreation and culture	88,462
Internal Service Fund depreciation is charged to various functions based on their usage of the asset	860
Total governmental activities	<u>\$ 1,210,896</u>
Business-type activities:	
Water	\$ 579,147
Sewer	1,516,382
Total business-type activities	<u>\$ 2,095,529</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 6 - Interfund Transfers

At December 31, 2005, the following interfund balances existed:

General Fund:	
Housing Assistance Fund	\$ 38,768
CDBG Fund	14,859
Internal Service Fund	<u>24,183</u>
Total General Fund	<u>\$ 77,810</u>

The composition of interfund transfers is as follows:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Operation Fund (1)	\$ 538,764
	Fire Protection Fund (2)	1,205,611
	Retiree Insurance Fund	<u>87,691</u>
	Total General Fund	1,832,066
Police Operation Fund	Retiree Insurance Fund	124,201
Fire Protection Fund	Retiree Insurance Fund	89,522
Sanitary Sewer Fund	Water Fund (3)	57,356
	Retiree Insurance Fund	<u>16,628</u>
	Total Sanitary Sewer Fund	73,984
Water Fund	Retiree Insurance Fund	16,019
Nonmajor governmental funds	Police Operation Fund (1)	306,200
	Fire Protection Fund (2)	150,000
	Debt Service Fund	<u>252,583</u>
	Total nonmajor governmental funds	708,783
Internal Service Fund	Retiree Insurance Fund	<u>3,148</u>
	Total	<u>\$ 2,847,723</u>

(1) Transfer for police operation expenditures

(2) Transfer for fire protection expenditures

(3) Transfer for funding of half the cost of water meters purchased

Additionally, the Downtown Development Authority (DDA) is paying certain dollars to the Township for police and fire services based on the area covered by the DDA. The total amount spent by the DDA related to these services during 2005 was \$350,000.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Police Facility Bonds - 1997	4.800% -	\$155,000 -	\$ 6,010,000	\$ -	\$ (135,000)	\$ 5,875,000	\$ 155,000
Amount of issue - \$6,765,000	7.200%	\$450,000					
Maturing through 2022							
Township Hall Renovation Bonds:	3.750% -	\$60,000 -	1,095,000	-	(60,000)	1,035,000	60,000
Amount of issue - \$1,200,000	4.625%	\$115,000					
Maturing through 2017							
Capital Improvement Road Bonds - 2003	2.000% -	\$90,000 -	930,000	-	(85,000)	845,000	90,000
Amount of issue - \$995,000	3.450%	\$120,000					
Maturing through 2013							
Contractual obligations:							
Fire truck - 2000:	5.020%	\$48,105 -	579,189	-	(45,761)	533,428	48,105
Loan amount - \$750,000		\$71,809					
Maturing through 2014							
Land contract - 2003 (bus garage):	0.000%	\$112,500	337,500	-	(112,500)	225,000	112,500
Contract amount - \$700,000							
Payable through 2007							
Fire truck - 2003:	2.770%	\$58,989 -	369,149	-	(57,399)	311,750	58,989
Lease/Purchase - \$425,000		\$65,804					
Payable through 2010							
Total governmental activities			<u>\$ 9,320,838</u>	<u>\$ -</u>	<u>\$ (495,660)</u>	<u>\$ 8,825,178</u>	<u>\$ 524,594</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
Sewer:							
Wayne County Sewage Disposal System Bonds - 1967: Amount of issue - \$5,000,000 Maturing through 2006	4.100%	\$240,000	\$ 480,000	\$ -	\$ (240,000)	\$ 240,000	\$ 240,000
Wayne County Sewage Disposal System Refunding Bonds - 1994: Amount of issue - \$3,825,500 Maturing through 2008	5.700% - 6.000%	\$175,000 - \$304,100	1,066,809	-	(308,905)	757,904	304,100
Less unamortized deferred amount on refunding			(42,858)	-	10,941	(31,917)	(10,941)
South Huron Valley Phase II Bonds - 1991: Amount of issue - \$2,597,912 Maturing through 2011	2.000%	\$153,416 - \$169,671	1,121,663	-	(150,368)	971,295	153,416
SHVUA Plant Expansion Bonds - 1998: Amount of issue - \$8,606,758 Maturing through 2020	2.250%	\$381,588 - \$521,334	7,087,564	-	(373,504)	6,714,060	381,588
Contractual obligations:							
DPW Building Installment Loan - 1998: Amount of issue - \$600,000 Maturing through 2013	4.800%	\$31,058 - \$53,554	395,539	-	(38,304)	357,235	40,175
EPA Judgment - Brownstown's Share Downriver Sewage Disposal System Bonds:							
SRF #1 Project 5117-02 - \$114,300; 2014	2.000%	\$5,576 - \$6,505	60,402	-	(5,576)	54,826	5,576
SRF #2 Project 5117-03 - \$877,052; 2015	2.000%	\$44,101 - \$53,729	530,765	-	(43,169)	487,596	44,101
SRF #5 Project 5117-15 - \$2,698,311; 2018	2.000%	\$126,402 - \$165,631	2,011,946	-	(123,537)	1,888,409	126,402
SRF #6 Project 5117-18,19,21 - \$192,776; 2017	2.000%	\$8,969 - \$10,242	129,668	-	(8,779)	120,889	8,969
SRF #7 Project 5117-23 - \$731; 2017	2.250%	\$35 - \$45	512	-	(36)	476	35
SRF #9 Project 5117-24, 31 - \$291,996; 2020	2.250%	\$3,051 - \$17,748	222,238	-	(13,222)	209,016	13,584
SRF #10 Project 5117-25, 32 - \$691,456; 2020	2.250%	\$1,829 - \$42,331	536,168	-	(19,212)	516,956	31,598
SRF #11 Project 5117-20 - \$4,313; 2020	2.250%	\$181 - \$271	3,609	-	(181)	3,428	189
SRF #12 1999 A & B Refunding - \$887,593; 2018	4.400%- 5.13%	\$44,424 - \$59,146	731,869	-	(37,810)	694,059	44,424
SRF #13 Project 5117-01 - \$7,321; 2020	2.250%	\$325 - \$454	1,135	-		1,135	325
SRF #14 Project 5117-34 - \$315,567; 2021	2.500%	\$13,653 - \$19,859	266,691	-	(5,633)	261,058	13,653
SFR #15 Project - \$131,040; 2026	1.625%	\$5,600 - \$7,560	-	131,040	-	131,040	-
Subtotal - EPA			4,495,003	131,040	(257,155)	4,368,888	288,856
Less current amount payable from restricted assets			(558,188)	(4,373)	-	(562,561)	(562,561)
Total business-type activities			\$ 14,045,532	\$ 126,667	\$ (1,357,295)	\$ 12,814,904	\$ 834,633

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit - Downtown Development							
Authority - Downtown Development Bonds:	Variable						
Amount of issue - \$15,000,000		\$680,000 -					
Maturing through 2022		\$1,245,000	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000	\$ -

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 524,594	\$ 381,101	\$ 905,695	\$ 834,633	\$ 351,400	\$ 1,186,033	\$ -	\$ 507,725	\$ 507,725
2007	558,696	362,858	921,554	1,159,351	307,689	1,467,040	680,000	495,883	1,175,883
2008	485,478	344,524	830,002	1,079,164	269,381	1,348,545	710,000	473,102	1,183,102
2009	524,937	324,075	849,012	935,172	236,335	1,171,507	740,000	448,258	1,188,258
2010	559,583	301,761	861,344	959,034	213,179	1,172,213	770,000	423,354	1,193,354
2011-2015	2,871,890	1,121,781	3,993,671	4,267,371	730,336	4,997,707	4,345,000	1,702,158	6,047,158
2016-2020	2,400,000	490,332	2,890,332	3,519,988	238,558	3,758,546	5,315,000	948,495	6,263,495
2021-2025	900,000	43,200	943,200	56,119	2,895	59,014	2,440,000	106,353	2,546,353
2026	-	-	-	4,072	123	4,195	-	-	-
Total	\$ 8,825,178	\$ 3,369,632	\$ 12,194,810	\$ 12,814,904	\$ 2,349,896	\$ 15,164,800	\$ 15,000,000	\$ 5,105,328	\$ 20,105,328

The Township has an additional liability of approximately \$404,000 recorded in the Tax Collection Fiduciary Fund for potential repayments to taxpayers as a result of the change in the State utility multipliers.

Advance and Current Refundings - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2005, \$900,000 of bonds outstanding are considered defeased.

Note 8 - Land Held for Resale

During the year ended December 31, 2004, the Downtown Development Authority issued \$15,000,000 in bonds to purchase \$14,265,000 of land. Management anticipates this land will be sold to developers in conjunction with the Town Center Project and, accordingly, it has been included as an asset in the Downtown Development Authority in the accompanying financial statements.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 9 - Restricted Assets

The balances of the restricted asset accounts reflected as business-type activities (Sanitary Sewer and Water Funds) are as follows:

Sanitary Sewer Fund restricted assets:

Cash and cash equivalents (to repay debt):	
To repay South Huron Valley Phase II bonds	\$ 372,918
To repay SHVUA Plant Expansion bonds	120,289
Customer receivables	23,707
Prepaid and accrued interest	5,388
Downriver sewage disposal system - Assets held at the	
County for future EPA debt payments	632,176
South Huron Valley Utility Authority - Start-up costs	<u>10,000</u>
Total Sanitary Sewer Fund restricted assets	1,164,478

Water Fund restricted assets:

Cash and cash equivalents (for improvements) -	
Restricted for water capital improvements	595,625
Customer receivables	<u>17,831</u>
Total Water Fund restricted assets	<u>613,456</u>
Total restricted assets	<u><u>\$ 1,777,934</u></u>

Current liabilities to be paid from restricted assets of the Sanitary Sewer and Water Funds consist of the following:

Bond principal payments:

South Huron Valley Phase II bonds	\$ 153,416
SHVUA Plant Expansion bonds	120,289
EPA Sewage Disposal System bonds	288,856
Accrued interest	<u>68,216</u>
Total current liabilities payable	
from restricted assets	<u><u>\$ 630,777</u></u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Michigan Municipal Risk Management Authority (MMRMA) state risk pool program operate as common risk-sharing management programs for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the MMRMA program, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 11 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees who are at least 18 years of age and the Township contributes on behalf of the Township board through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Salaried employees are eligible to participate the first of the month 30 days after hire. Union employees are eligible to participate the first of the month 90 days after hire. As established by the Township board, the Township contributes 11 percent to 15 percent of employees' base earnings for TPOAM union employees. In addition, the Township contributed 11 percent to 15 percent of base earnings for MAP union employees, 15 percent for COAM union employees, and 6 percent to 15 percent for IAFF fire department employees. TPOAM union employees, nonunion employees, and board members are required to contribute 5 percent of base earnings before taxes.

Also, 12 percent to 15 percent of base earnings is contributed for administrative nonunion personnel and board members. All participants may voluntarily contribute an additional amount, on an after-tax basis, not to exceed the Internal Revenue Service guidelines.

In accordance with these requirements, the Township contributed \$974,148 and employees contributed \$203,175.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 12 - Contingent Liabilities

The Township, along with several other communities in the downriver sewer system, was involved in litigation brought by the U.S. Environmental Protection Agency related to violations of the U.S. Clean Water Act. As a result of the violations, the communities are obligated to upgrade the system. The Township issued bonds of approximately \$6,341,000 in prior years and \$131,000 in the current year to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, final completion bonds and capital improvement bonds of approximately \$630,000 are expected to be issued during 2006.

Note 13 - Other Postemployment Benefits

The Township provides health care and life insurance benefits to retirees in accordance with labor contracts. The Township pays the full cost of coverage for these benefits. Currently, 15 retirees are eligible. The Township includes retirees and their dependents in its insured health care and life insurance plans, with no contribution required by the participant. Certain retirees who are not eligible for full coverage are reimbursed for Medicare premiums. Expenditures for postemployment health care and life insurance benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$131,000. The Township obtains health care coverage through private insurers.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 14 - Joint Ventures

The Township is a member of the 33rd District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 14 - Joint Ventures (Continued)

During the current year, the Township contributed approximately \$770,000 for its operations. The Township received approximately \$935,000 in revenue from Court collections, net of the debt payments discussed below. Complete financial statements for the Court can be obtained from the administrative offices at 19000 Van Horn Road, Woodhaven, MI 48183. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future.

In a prior year, the member communities of the Court entered into an installment purchase agreement to finance an addition to the Court facility. Under the terms of the agreement, each community is obligated for a share of the annual debt service payment. This share is proportionate to each community's relative annual case load. The balance of the total debt was \$128,793 at December 31, 2005; of that total, the Township has recorded 35.32 percent, or \$45,490, as an offset to the Township's percentage of the assets of the Court. The Township's share of the obligation is subject to change each year based on case load. The Township's share decreased from 35.37 percent to 35.32 percent for the year ended December 31, 2005, resulting in a decrease of the Township's share of the obligation. Debt service payments of \$3,448 for interest and \$51,100 for principal were deducted from the Court revenue remitted to the Township. The Township's total interest in this joint venture (including the Township's share of working capital) is \$1,073,585.

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$894,612 toward the operation of the system. In addition, debt payments of \$704,272, including both principal and interest, were made to the Authority. The Township's portion of the debt is recorded in the Township's Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Sewer Fund. The Township's interest in this joint venture is \$707,028, exclusive of capital assets and debt. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2005

Note 14 - Joint Ventures (Continued)

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Sewer Fund. During the year, the Township paid \$583,766 for operations of the system and \$403,554 for debt service. The Township's interest in this joint venture is \$154,729, exclusive of capital assets and debt. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 12.

Required Supplemental Information

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 1,857,436	\$ 1,857,436	\$ 1,857,436	\$ -
Resources (Inflows)				
Property taxes	1,018,887	909,387	960,476	51,089
Federal sources	24,000	24,000	9,246	(14,754)
State sources	2,318,716	2,318,716	2,270,801	(47,915)
Fees and permits	1,681,150	1,631,150	1,540,266	(90,884)
Fines and forfeitures	950,600	950,600	935,620	(14,980)
Charges for services	686,750	666,750	627,304	(39,446)
Interest income	35,400	35,400	60,428	25,028
Special assessments	831,300	781,300	777,559	(3,741)
Other	120,200	142,800	115,948	(26,852)
Transfer from other funds	171,438	171,438	-	(171,438)
Total resources (inflows)	7,838,441	7,631,541	7,297,648	(333,893)
Charges to Appropriations (Outflows)				
General government:				
Legislative	74,651	78,051	77,293	758
District court	775,000	775,000	770,484	4,516
Executive	217,215	203,460	190,095	13,365
Elections	119,246	112,246	101,687	10,559
Accounting	184,191	187,091	182,962	4,129
Assessor	309,274	244,274	229,439	14,835
Legal	47,000	60,000	47,787	12,213
Clerk	233,645	205,778	193,921	11,857
Treasurer	202,758	182,541	177,415	5,126
Tax collection	79,894	87,894	86,768	1,126
Board of Review	4,440	4,440	2,398	2,042
Personnel	134,154	137,948	130,094	7,854
Nondepartmental	294,650	111,650	99,185	12,465
Public safety - Animal control	153,600	142,600	137,396	5,204
Community and economic development:				
Building and grounds	85,300	116,300	104,782	11,518
Public works	356,250	480,250	460,019	20,231
Community development	927,326	1,145,757	1,072,098	73,659
Planning	73,300	76,300	77,899	(1,599)
Zoning Board	12,800	19,800	17,310	2,490
Architectural Review Board	5,500	5,500	4,218	1,282
Sanitation	672,700	864,700	858,530	6,170
Economic opportunity	134,350	84,350	63,002	21,348
Recreation and culture:				
Recreation	570,133	582,521	557,875	24,646
Parks	189,278	208,078	211,753	(3,675)
Library	41,000	81,250	81,214	36
Beautification commission	12,080	12,080	9,298	2,782
Historical commission	1,100	1,100	584	516
Community center	233,605	268,026	267,197	829
Employee benefits and insurance	36,500	51,700	50,938	762
Transfer to other funds	1,849,539	1,929,273	1,832,066	97,207
Total charges to appropriations (outflows)	8,030,479	8,459,958	8,095,707	364,251
Fund Balance - End of year	\$ 1,665,398	\$ 1,029,019	\$ 1,059,377	\$ 30,358

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Operation Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	4,300,177	4,338,177	4,325,908	(12,269)
Interest income	11,000	31,000	31,179	179
Other	432,500	410,500	423,421	12,921
Transfer from other funds	<u>826,885</u>	<u>881,885</u>	<u>844,964</u>	<u>(36,921)</u>
Total resources (inflows)	5,570,562	5,661,562	5,625,472	(36,090)
Charges to Appropriations (Outflows)				
Public safety - Police	5,458,689	5,537,689	5,501,271	36,418
Transfers to other funds	<u>111,873</u>	<u>123,873</u>	<u>124,201</u>	<u>(328)</u>
Total charges to appropriations (outflows)	<u>5,570,562</u>	<u>5,661,562</u>	<u>5,625,472</u>	<u>36,090</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Protection Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	1,600,500	1,600,500	1,597,588	(2,912)
Federal sources	2,500	2,500	5,555	3,055
Interest income	2,500	2,500	4,659	2,159
Other	574,500	694,500	719,438	24,938
Transfer from other funds	<u>1,274,576</u>	<u>1,391,976</u>	<u>1,355,611</u>	<u>(36,365)</u>
Total resources (inflows)	3,454,576	3,691,976	3,682,851	(9,125)
Charges to Appropriations (Outflows)				
Public safety - Fire	3,390,504	3,597,904	3,593,329	4,575
Transfers to other funds	<u>64,072</u>	<u>94,072</u>	<u>89,522</u>	<u>4,550</u>
Total charges to appropriations (outflows)	<u>3,454,576</u>	<u>3,691,976</u>	<u>3,682,851</u>	<u>9,125</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Brownstown

Note to Required Supplemental Information Year Ended December 31, 2005

Budgetary Information - The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's Bulletin for Audits of Local Units of Government in Michigan dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

The Township follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Township supervisor, on or before 60 days prior to the commencement of the fiscal and budgetary year (January 1), shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 30 days in advance thereof by the clerk.
3. The board shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

Charter Township of Brownstown

Note to Required Supplemental Information (Continued) Year Ended December 31, 2005

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as an other financing source (use).

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Brownstown incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Variance
General Fund:			
Planning	\$ 76,300	\$ 77,899	\$ (1,599)
Parks	208,078	211,753	(3,675)
Police Operation Fund - Transfers to other funds	123,873	124,201	(328)

The unfavorable planning and parks expenditure variances in the General Fund were caused by unanticipated expenditures that became necessary during the year. The unfavorable transfer variance in the Police Operation Fund related to increased retiree insurance contributions.

Other Supplemental Information

Charter Township of Brownstown

Special Revenue

	CDBG	Capital Improvement	Police Improvement	Fire Improvement	Road Improvement
Assets					
Cash and investments	\$ -	\$ 272,484	\$ 285,496	\$ 692,698	\$ 397,515
Receivables - Net	20,641	6,000	245,404	245,429	659,301
Long-term receivable - Lease agreements	-	72,000	-	-	-
Total assets	<u>\$ 20,641</u>	<u>\$ 350,484</u>	<u>\$ 530,900</u>	<u>\$ 938,127</u>	<u>\$ 1,056,816</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,782	\$ 3,614	\$ 16,983	\$ 35,820	\$ 2,160
Due to other funds	14,859	-	-	-	-
Escrow funds	-	-	-	-	131,200
Deferred revenue	20,537	78,000	328,138	328,138	748,398
Total liabilities	41,178	81,614	345,121	363,958	881,758
Fund Balances - Unreserved					
Designated for subsequent year's budget	-	-	-	106,457	184,021
Undesignated (deficit)	(20,537)	268,870	185,779	467,712	(8,963)
Total fund balances	(20,537)	268,870	185,779	574,169	175,058
Total liabilities and fund balances	<u>\$ 20,641</u>	<u>\$ 350,484</u>	<u>\$ 530,900</u>	<u>\$ 938,127</u>	<u>\$ 1,056,816</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

Funds			Debt Service Funds		Total Nonmajor Governmental Funds
Drug Forfeiture	Housing Assistance	Retiree Insurance	Debt Service	Building Authority	
\$ 289,545	\$ -	\$ 1,178,331	\$ 6,399	\$ -	\$ 3,122,468
-	43,888	-	-	-	1,220,663
-	-	-	-	-	72,000
\$ 289,545	\$ 43,888	\$ 1,178,331	\$ 6,399	\$ -	\$ 4,415,131
\$ -	\$ 5,120	\$ -	\$ 6,399	\$ -	\$ 75,878
-	38,768	-	-	-	53,627
-	-	-	-	-	131,200
-	23,347	-	-	-	1,526,558
-	67,235	-	6,399	-	1,787,263
-	-	-	-	-	290,478
289,545	(23,347)	1,178,331	-	-	2,337,390
289,545	(23,347)	1,178,331	-	-	2,627,868
\$ 289,545	\$ 43,888	\$ 1,178,331	\$ 6,399	\$ -	\$ 4,415,131

Charter Township of Brownstown

	Special Revenue				
	CDBG	Capital Improvement	Police Improvement	Fire Improvement	Road Improvement
Revenue					
Property taxes	\$ -	\$ -	\$ 310,030	\$ 310,030	\$ 310,030
Federal sources	84,351	-	22,718	-	-
Interest income	-	8,756	5,232	10,445	16,472
Debt charges	-	-	-	-	-
Other	-	8,086	11,596	455,612	433,540
Total revenue	84,351	16,842	349,576	776,087	760,042
Expenditures					
Current:					
Public safety	-	-	-	-	-
Community maintenance and development	52,513	743	-	-	-
Employee benefits and insurance	-	-	-	-	-
Capital outlay	-	103,038	123,744	129,963	899,467
Debt service	-	-	-	-	-
Total expenditures	52,513	103,781	123,744	129,963	899,467
Excess of Revenue Over (Under)					
Expenditures	31,838	(86,939)	225,832	646,124	(139,425)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(100,000)	(291,415)	(111,168)
Total other financing sources (uses)	-	-	(100,000)	(291,415)	(111,168)
Net Change in Fund Balances	31,838	(86,939)	125,832	354,709	(250,593)
Fund Balances (Deficit) - Beginning of year	(52,375)	355,809	59,947	219,460	425,651
Fund Balances (Deficit) - End of year	\$ (20,537)	\$ 268,870	\$ 185,779	\$ 574,169	\$ 175,058

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended December 31, 2005

Funds		Debt Service Funds		
Housing Assistance	Retiree Insurance	Debt Service	Building Authority	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 930,090
79,066	-	-	-	186,135
246	18,838	-	-	67,191
-	-	112,500	530,886	643,386
-	-	-	-	1,293,953
79,312	18,838	112,500	530,886	3,120,755
-	-	-	-	20,432
102,659	-	-	-	155,915
-	131,123	-	-	131,123
-	-	-	-	1,256,212
-	-	365,083	530,886	895,969
102,659	131,123	365,083	530,886	2,459,651
(23,347)	(112,285)	(252,583)	-	661,104
-	337,209	252,583	-	589,792
-	-	-	-	(708,783)
-	337,209	252,583	-	(118,991)
(23,347)	224,924	-	-	542,113
-	953,407	-	-	2,085,755
\$ (23,347)	\$ 1,178,331	\$ -	\$ -	\$ 2,627,868

Charter Township of Brownstown

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2005

	Agency Funds		
	School and County	Tax Collection	Totals
Assets - Cash and investments	<u>\$ 862,163</u>	<u>\$ 2,235,205</u>	<u>\$ 3,097,368</u>
Liabilities			
Due to other governmental units	\$ 862,163	\$ 2,233,089	\$ 3,095,252
Due to component unit	<u>-</u>	<u>2,116</u>	<u>2,116</u>
Total liabilities	<u>\$ 862,163</u>	<u>\$ 2,235,205</u>	<u>\$ 3,097,368</u>